

## Impact of SHG-enabling model of microfinance towards poverty reduction

### Introduction

Poverty has many dimensions and stems from several factors – economic, social and cultural. Although lack of opportunities for livelihood and denial of opportunities are largely seen as major casual factors for poverty they are aggravated in the Indian context by lack of access to timely and affordable credit. It has now been recognised as another significant contributory factor. The informal financing systems which are known for usury have been the predominant source of credit for rural poor. The approaches to address poverty are now increasingly focused on enhancing the access to affordable credit. Not only the access but also adequacy and timeliness are the key issues in making the credit available. In this context, microfinance has emerged as a strategic tool for poverty reduction and rural development. The Self Help Group (SHG) Movement which began in the mid 1980's, has now gained tremendous momentum. According to the latest NABARD estimates, a total of 13,18,000 SHGs have been formed across the country and 7,17,000 of the groups have been able to create linkage with formal sector banks and mobilised credit to the tune of Rs 1022 crore. DHAN Foundation is one of the pioneering institutions in the country promoting, nurturing and advancing the movement over the last two decades through its Kalanjiam Enabling model of microfinance.

DHAN Foundation initiated its Kalanjiam Community Banking Programme (KCBP) during 1990, as a pilot project. The programme envisages stabilising the livelihoods of poor and empowering the women by providing access and control for micro finance by poor women through promoting savings and credit groups and forming nested institutions. The programme has an approach of promoting primary groups of 15 - 20 women in the village/ slum neighbourhoods popularly called as Kalanjiams, clustering 15 - 20 Kalanjiams at Panchayat or slum level and federating 200 - 250 Kalanjiams at development block level. The model is based on value of strong community organisations for better performance. Each of these organisations is left independent and autonomous and at the same time is interdependent on each other. The group with a membership of 15 - 20 women from poor households from the base. The members regularly save and avail credit from the group. The groups have two additional sources of credit for lending to the members apart from the savings of the members. The commercial banks and Regional Rural Banks (RRBs) are the biggest source of credit for these groups. They also avail credit for special needs such as housing and few other activities from apex banks and corporations such as Small Industries Development Bank of India (SIDBI), Housing Development Financial Corporation (HDFC), Housing and Urban Development Corporation (HUDCO), National Bank for Agriculture and Rural Development (NABARD) etc. through their federations. The clusters offer the much needed support in the form of services such as accounting, auditing, mobilising resources at the local levels and the leadership across the villages and for solving conflicts among and access the members. The federations are membership organization formed by all the Kalanjiams in a development block. These federations are legally registered entities.

The programme works exclusively with poor women and as on September 2006 it has reached out to 373,096 poor families. The activities are spread in 155 locations covering 7,204 villages/ slums of 30 backward and drought hit districts of the country. The programme promoted 23,474 primary groups, 993 Cluster Development Association (CDAs) and 63 autonomous federations which are owned, controlled and managed by poor women. In addition to mobilising savings of

Rs.8,639 lakhs by the members, the Programme has mobilised credit of Rs.15,349 lakh from 256 branches of 32 banks. As many as 25 Kalanjiam federations are involved in linkage with apex financing institution and have mobilized loan of Rs2,982 lakh and onlent to the member groups. In view of bringing a comprehensive assessment of impact of the Programme across all operational areas and enable the actors involved in microfinance to have a better understanding and comparative analysis of different models of microfinance, DHAN Foundation undertook this study between August 2002 and September 2003.

## II

### Literature Review

Availability of literature on impact of microfinance interventions with particular reference to SHG model is limited. Many of the existing impact assessments are of qualitative and anecdotal in nature and there are very few attempts made to analyse the impact in quantitative terms.

A study of 72 SHGs undertaken by Harper et al., 1998 - covering over 1,000 SHG members in Orissa, Uttar Pradesh, Maharashtra and Karnataka – too registered improvement in members' diet, assets and education. This addressed the question of the benefits to the poorest members of the SHGs. The evidence suggested that nearly all members benefited to some extent although the benefits to poorer members were less or delayed compared to the better off. Thus, only 31 per cent of the families of poorer members increased their assets, 44 per cent improved their food consumption and 15 per cent improved their education. On the question of the access to benefits and power of poorer members of groups, the findings from data collected from six MYRADA groups (Fernandez, 2000), however, suggest that the poorest were not marginalised in terms of access to loans, though their loans were mainly for consumption purposes.

The NABARD impact evaluation of SHGs covered by the bank-linkage programme (Puhazhendi and Satyasai, 2000)70 study covers the changes in socio-economic conditions of 560 members of 223 SHGs in 11 states before and after (spanning a three-year period) their association with the SHG. Impact of the SHGs in terms of economic status of the hoyuseholds, according to the study is as given below.

Average value of assets per household (including livestock and consumer durables)rose by 72.3 per cent to Rs. 11,793 during the three-year period.

Average net income per household from income generating activities where loan amounts were deployed, increased from Rs. 20,177 prior to group formation to Rs.

26,889.

Employment increased by 17 per cent and average saving per member was about Rs. 1,000 in 1998-99.

Borrowing for income generation activities increased from 50 per cent to 70 per cent.

It was estimated that 112 households or 47.8 per cent of the poor had crossed the poverty line.

Another significant finding was that a standard of living index of sample households comprising of socio-economic parameters rose for both economic and social parameters. The study findings also reveal that social impact was found to be stronger in the case of groups promoted by NGOs

than in groups promoted by banks. Other positive impacts experienced by SHG members related to increase in self-worth, communication skills, desire to protest social evils, improved response to problem situations and a decrease in family violence. A consistent increased access to various amenities such as water, health and sanitation, schools and markets is also indicated.

Another study of 70 SHGs promoted in Tamil Nadu through four leading NGOs, ASSEFA, MYRADA, DHAN Foundation and LEAD, Trichy was undertaken by NABARD during 1996-97 (Puhazhendi, 2000). The performance of groups was assessed using a scoring system covering indicators such as homogeneity of groups, regularity in holding meetings attendance at meetings, increase in rate of savings, share of production loan to total loan, training, NGO involvement and effective leadership. As much as 61 per cent of groups were found to be performing well, 29 per cent average and 10 per cent poorly. In the Tamil Nadu study, economic impact was assessed through net increase in family income, which was found to have more than doubled for the sample groups during the period of participation in the SHG. Social impacts identified related to literacy levels, housing facilities and food security. Empowerment of women was observed in the form of participation of financial decisions in the family, checking liquor addiction of male family members and sending children to school. The groups were also found to be influential in the community with some women becoming members of panchayats.

Findings of a study on 'SHG-Bank Linkage Programme for the rural poor-An Impact assessment' conducted by NABARD (2002) among 115 SHG members of 60 groups in states namely Orissa, Chattisgarh and Jharkand also reveal the positive impact of SHGs. According to this study, there was an increase of Rs. 12,319 in the family income of the SHG members after the intervention of SHGs while 45 per cent of the households were observed to have accumulated assets after joining the SHG. As far as social impact is concerned there was a significant improvement the status of women in aspects such as joint decision making at household level, talking freely with outsiders and officials, demanding for rights, domestic violence, exposure to outside world etc.

Contradicting to the literature cited above, 'A study on Self Help Group (SHG)-Bank Linkage in Andhra Pradesh' conducted by APMAS (2005) among 400 Self Help Groups observed that employment opportunities for the poor had not significantly increased after the SHG intervention. The study also pointed out that realisation of improvement in family income was better for upper caste people than that of backward and scheduled caste people. A significant proportion of the respondents in the study expressed that they were not quite free from local moneylenders yet and that they did not spend as much on food as they needed to. Levels of confidence, self-reliance, ability to make decisions, leadership quality etc. had all increased. Education levels and ability to negotiate with other bodies had also improved.

### **III**

#### **Research Objective and methodology**

The study on impact of Kalanjiam Programme on its members was conducted with the objectives of

To assess the economic development of the family through credit and noncredit operations.

To assess the contribution made by the Kalanjiam programme towards empowering the marginalised group of women and their family members.

Three stage stratified sampling technique was applied for selection of ultimate sample units *i.e.* Kalanjiam<sup>1</sup> (SHG) members. The study was restricted to 31 project locations which existed for more than three years during the study period. Of these locations, 10 were selected on random basis, which included six locations having Kalanjiams with 3 - 5 years of age and four locations having Kalanjiams more than five years of age.

**Table 1. Sampling design for the study**

<b>Age wise stratum of location</b>	<b>Number of existing project locations</b>	<b>Number of sample locations (I stage sampling)</b>	<b>Number of sample Kalanjams (II stage sampling)</b>	<b>Number of Sample Kalanjiam members (III stage sampling)</b>	<b>Number of control group households</b>
Locations having the groups between 3 and 5 years of age	18	6	32	192	36
Locations having the groups of more than 5 years of age	13	4	8	48	24
<b>Total</b>	<b>31</b>	<b>10</b>	<b>40</b>	<b>240</b>	<b>60</b>

From each location five Kalanjams were selected using stratified random sampling technique, and from each Kalanjiam six members were selected through random sampling. Apart from these six persons who were not the Kalanjiam members, but who represent the socio economic condition as that of Kalanjiam members from each sample location were also selected and they have been treated as control group in the study. Totally 240 Kalanjiam members and 60 respondents from control group were selected. The selected respondents were personally interviewed using a structured interview schedule. In each sample location, a panchayat president and a bank branch manager were interviewed using a checklist.

#### **IV**

#### **Findings**

##### ***Access to affordable credit***

The average loan availed from the Kalanjiam for a member increased as the membership in the Kalanjiam increased. Moreover, the income drain in the form of paying interest at usurious rates to the informal financing institutions decreased as the membership in Kalanjiam increased. Normally, the Kalanjams provide credit to the members at an annual rate of 24 percent and less. As much as 95 per cent of the total members interviewed got a minimum loan amount of Rs.5000, if they were with a Kalanjiam for more than three years. On an average, a member in this age category of Kalanjiam was found to have taken loan of Rs.19,975, which increased to Rs.38,476 in case of greater than five years Kalanjams. In greater than five years old Kalanjams, supposing the credit available with the local moneylenders at 60 percent per annum (normally) for comparison, the Kalanjiam members were found to have saved Rs.13851 towards interest payment since they borrowed from Kalanjiam instead of local moneylenders. A major proportion of the loans (28 per cent) provided from the Kalanjiam were for redeeming the members debt with informal financing sources followed by productive and asset creation purposes such as

agriculture and livestock (15 per cent) Housing (14 per cent) and small economic activity (9 per cent).

All the Kalanjams investigated had got at least one loan from the local commercial bank and these by all of them got access to formal credit systems, which became possible only because of Kalanjams' existence in the locality. Close to 68 per cent of the Kalanjiam were found to have linked with the banks more than once to get loan. The average amount of loan mobilized by the Kalanjiam studies from commercial banks was Rs.103,778. The Kalanjams got loan to the tune of Rs.65,281 on an average per group, from the federations. The federations mostly mobilise credit from apex financing institutions. On an average, a Kalanjiam was observed to have mobilised credit of Rs.175310 from external sources apart from savings by the members. It is evident from these figures that the Kalanjams studied have effectively utilised the facility of access to credit from formal financing institutions. Savings by the members influences the credit mobilisation from formal financing sources. The average loan mobilised from these sources was greater for the Kalanjams from rural areas (Rs.181,417) than the ones from urban areas (Rs.150,881). Unlike the groups of Grameen model or any other SHG models of microfinance the outstanding advances of the Kalanjiam members with their groups had a wide range, which indicates that not all the members got equal amount of loans all the time.

### *Weaning from the clutches of usury*

The intervention of the Kalanjams was observed to have made significant changes in the debt status of the members with informal financing sources. These sources usually provide credit at exorbitant interest rates ranging from 36 to 120 per cent per annum. However these are the major sources of credit owing to the existence of very few options for the poor families. The results of the study indicate that slightly more than 81 per cent of Kalanjiam members interviewed had debt with those resources while joining Kalanjiam. The Kalanjams provide major emphasis on closing the debt with the informal financing sources these by reducing the debt burden of the members.

**Table 2. Members who repaid their debts with informal credit sources**

Amount repaid (per cent)	Members (per cent)			Average amount repaid (Rs)
	3 – 5 year groups	> 5 years groups	Overall	
No change in the status	8.28	13.16	9.25	-
1 to < 50	12.10	5.26	10.73	23,118
50 to 99	33.76	7.89	28.58	8,696
Closed completely	45.86	73.68	51.42	10,267

Around 51 per cent of the members completely closed the debt which they had at the time of joining Kalanjiam. The average amount of such debt repaid by a member was Rs.10,267. After the intervention Kalanjams the members were observed to have more opportunities to loans of affordable interest rates, which was mainly due to the increased awareness about accessibility of credit from local commercial banks. The pattern of usury was declining significantly. The percentage of loans borrowed at 60 per cent annual interest rate by the members came down from 36 to 26 after the intervention of Kalanjams. Similarly the loans borrowed at 120 percent interest rate declined from 17 per cent to eight per cent. Usurious practice of lending at rate of 275 per

cent per year was completely eradicated from every one. The access to credit at annual interest rate of 24 per cent increased from merely six per cent to 11 per cent.

### ***Change in Savings***

The study findings prove that, the Kalanjiam unleashed hidden potential the members to save money. All the Kalanjiam members studied had savings in their Kalanjiams. On an average, a member in her Kalanjiam saved Rs.5,301 in case of greater than five years Kalanjiam, which was higher than the Kalanjiams of 3 - 5 years of age (Rs.3,590). However, 87 per cent of the Kalanjiam members interviewed stated that they had not had the habit of saving in any of the sources. After the intervention of the Kalanjiam they were able to save Rs.100 per month on an average. Around 72 per cent of the members saved Rs.100 per month. The savings rate per month of the members increased as the age of Kalanjiam increased. The savings by the members serve as collateral for the Kalanjiams while approaching banks for getting loans. The banks provide loan in proportion to the savings such as 1:1, 1:2, ..... etc. The savings to loan ratio was declining from 19 to 13 per cent as the age category of the Kalanjiams increased from 3 -5 to greater than five. This implies that the confidence of the banks to provide higher and higher amounts to the Kalanjiam with increment in the age.

### ***Creation of Assets***

Around 74 per cent of the Kalanjiam members were found to have invested on assets after joining Kalanjiam. The assets include productive assets such as agricultural land, livestock, petty trade etc. and non productive assets such as jewels, household durable etc. The proportion of members created assets and the amount invested increased as the age of the Kalanjiam increased. Close to 55 per cent of the Kalanjiam members who were with the Kalanjiam for more than five years was found to have improved their housing condition by constructing new house or upgrading the existing one. Around 24 per cent of the members of three - five years old Kalanjiams and 26 per cent of members from greater than five years old Kalanjiam invested on livestock, worth of Rs.8421 and Rs.13954 respectively. Similarly 20 and 33 percent of the members from 3-5 years and greater than five years of Kalanjiam respectively invested on economic activities such as petty shop, tailoring, hawking etc.

Another interesting finding is that the members investing on assets were closing their previous debts with informal credit sources faster than the members who had not invested. However they were observed to borrow loans from local moneylenders to supplement what they had got from the groups. In case of members who have invested on assets, debts with local moneylenders increased to 34 per cent and 44 per cent respectively for 3-5 years and greater than 5 years categories while there was a substantial decline in the same figure for member who have not invested on assets. The phenomenon could be interpreted as follows

The money available as credit from Kalanjiams is perhaps not sufficient to create an asset of what they desire.

Local moneylenders believe that the loans will be redeemed in any case since there is an asset.

### ***Change in Family Income***

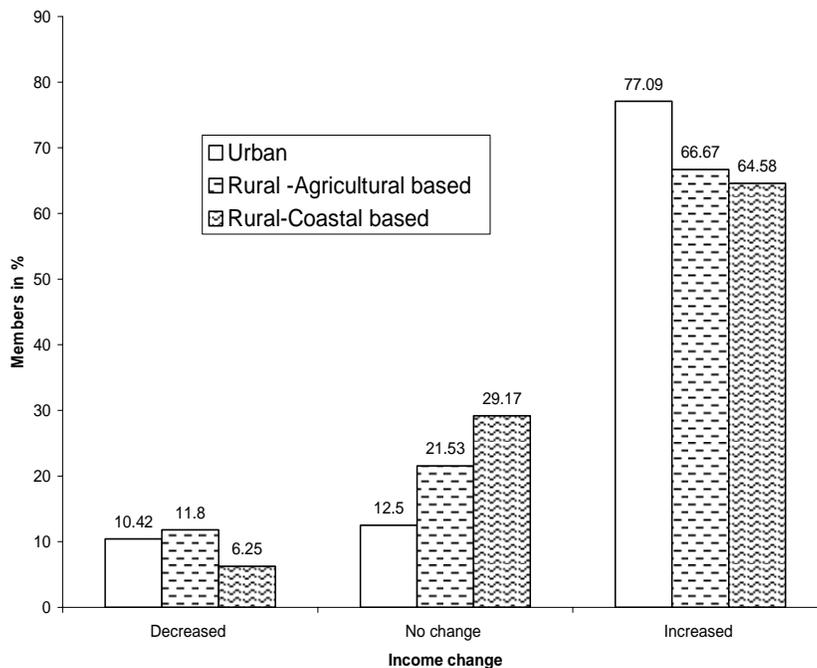
Results of the study show that there was an increase in the family income after the intervention of the Kalanjiam. This change was mainly attributed to the loans provided to income generating activities.

**Table 3. Change in the average annual family income**

Situation	Annual family income of the members (Rs)	
	3-5 years old Kalanjams	>5 years old Kalanjams
Pre-Kalanjiam	24,441	20,440
Present	31,673	29,674
Change (per cent)	29.58	45.17

The increase in the income of the member families had positive relationship with the age of the Kalanjams. In case of 3 - 5 years category, the increase in the income was slightly less than 30 per cent from the situation at the time of joining Kalanjiam. The same figure was around 45 per cent in the greater than five years old Kalanjams. Close to 15 per cent of the Kalanjiam members of the 3 - 5 years category reported that their income increased more than two times of the income when they had joined the Kalanjiam. The same rise was stated by around 27 per cent of the members in greater five years category. At the same time, a reduction or no change in family income after the intervention of Kalanjams was also noticed. The reduction in income was high (20.8 per cent) in greater than 5 years groups category. Continuous drought for 4-5 years during the study period could be the possible attributing factor for this and this subject needs to be studied further for deeper understanding.

**Figure 1. Change in the family income after the Kalanjiam Intervention**



The rise in the family income was observed in all the contexts. However, there was a substantial change in the income in the urban context when relating with rural agriculture and rural coast based contexts. More than 65 per cent of the Kalanjiam members from rural context reported that their family income increased after joining Kalanjiam while the same figure was 77 per cent in the urban context.

### ***Change in Quality of Life***

Slightly less than 33 per cent of the Kalanjiam members interviewed stated that their access to food in terms of frequency/ quality/ quantity improved after joining the Kalanjiam. Around 60 per cent members expressed that they were having sufficient food even before becoming a member of the Kalanjiam. Nearly 55 per cent of the members of greater than five years category reported that their housing condition improved after joining Kalanjiam. There was a significant increase in the proportion of Kalanjiam members who obtained social security attributed to the schemes offered through the Kalanjiams. The results show that around 48 per cent Kalanjiam members were covered under life insurance schemes in the post Kalanjiam situation while the same figure was merely 4.29 per cent before the intervention of Kalanjiam.

### ***Women Empowerment***

Effect of Kalanjiam programme on Women Empowerment was explored in areas such as domestic violence, sharing the household works by the husbands, assets in the name of women, decision making ability, personal skills, women's share in the family income, exposure to outside world, interaction with community, leadership ability and women's space in the public phase. The empowerment status of the Kalanjiam women's was compared with that of the control group. The study findings have proved that the intervention of Kalanjiam programme has empowered a considerable proportion of women and it is evident from the results that the Kalanjiam members improved themselves in vital aspects of their life.

There was a slight difference observed between the Kalanjiam members and the respondents from control group in controlling their husbands' bad habits and domestic violence against them. Around 22 per cent of the Kalanjiam were able to control the husband's habits such as alcoholism, dice etc. while only 18 percent of the control group respondents could do so. The habit of wife beating was observed in around 50 percent of the households surveyed. A proportion of 24 per cent of the Kalanjiam members felt that they could control this as against 18 in case of control group. Nearly 31 per cent of the Kalanjiam members stated that their husbands always shared the household works while the same was merely 10 per cent in case of control group. As much as 12 per cent of Kalanjiam women had asset such as house, land and savings in post office, bank etc. apart from the savings in the Kalanjiams. However, only five per cent of the control group respondents had assets in their name.

Appreciable percentage of the Kalanjiam members were found to make independent decisions regarding visiting hospital for health problems, (38.33 per cent), making expenditure on education of children (18.33 percent), purchase and sale of assets (15 per cent) and purchase of durable consumer goods (24.50 per cent). In all these aspects the proportion for the respondents from the control group was very less. More over, the proportion of the households making joint decision among the husband and wife was also greater in case of Kalanjiam members than the control group.

Slightly higher than 80 percent of the Kalanjiam members expressed that they developed skills to solve issues at family, Kalanjiam and village/ slum levels, after becoming member of the

Kalanjiam. There was a considerable change in the level of communication and community organization skills of the members. Close to 62 per cent of the Kalanjiam reported that their ability to speak with the outsiders improved after joining Kalanjiam. Around 42 per cent of the members stated that they improved their ability to give speech at cluster and federation meeting where thousands of people gather. More than 50 per cent of the Kalanjiam members were observed to have developed the skill of organising and conducting Kalanjiam meetings. As much as 40 per cent of the members stated that they developed basic accounting skills such as verification of group account books and reading and understanding audit reports, after becoming Kalanjiam member. It is important to note here that only 11 per cent of the respondents had educated beyond 10<sup>th</sup> standard.

Normally, the women living in the rural areas lack exposure to outside world. The men folk also forbid them to move freely out from their villages. The intervention of Kalanjiam programme was found to have made significant change in this situation as 80 per cent of the Kalanjiam members visited the bank regularly. Around 70 per cent of the member expressed that they had never visited banks before joining Kalanjiam and visited only after becoming the member of Kalanjiam. In case of control group, only 16.67 per cent of the respondents were observed to have visited banks. As part of group activities the women regularly visit neighbouring villages and town for the purpose of attending meetings and trainings, meeting the government and bank officials etc. Generally there would be resistance from the family members to move out of the villages. However, a major proportion of the families (70 per cent) were found to encourage the women to visit other place. Less than 0.5 per cent of the members stated they face resistance from their family to go to other places.

Women involvement in public activities is very limited in the rural areas of the country and the domain is dominated by men. The study findings show that there was a remarkable change in the involvement of women in the public activities. Close to 38 per cent of the members interviewed reported that they regularly approached the panchayat office representing their locality for specific issues and were able to get the works done. The same was only 20 per cent in case of control group. Around 49 per cent of the Kalanjiam members were observed to participate in the village/ slum development activities as against nine per cent respondents from the control group. The public activities include improving schools through appointing school teachers, providing black boards, getting drinking water facility and electricity connection, tree plantation etc. The Kalanjiam members were found to be recognised by the Government officials. Nearer to 60 per cent of the members expressed that respect from the government officials to them improved after becoming Kalanjiam members. On the other hand, 72 per cent respondents from the control group said that they were not duly recognised by the government officials.

In many of the villages more than one Kalanjiam are functioning which is expected to provide opportunity for the women to interact on a common issues and build unity. A proportion of 58 per cent of the Kalanjiam women expressed that the interaction with community increased in the post Kalanjiam situation. As much as 55 per cent of the members agreed that the communal harmony among different castes and religion improved after the intervention of Kalanjiam.

A considerable proportion of the Kalanjiam members were observed to get the opportunity of leading women at various levels. As leaders, they take up activities such as organising meetings, problem solving, interface with bankers and panchayat presidents and government officials, training the members, monitoring etc. As much as 45 per cent of the Kalanjiam members interviewed were found to have occupied leadership positions and led the group for a minimum of three years. Around 10 per cent of the members served as leaders at cluster level leading 300 - 500 members. Slightly higher than 2 per cent of the members. A major proportion of members

from scheduled caste, who are the most marginalised section in the society in rural areas, were found to have become leaders at different levels after joining Kalanjams. Of the total members interviewed 64 were from schedule caste and among these members, almost 50 per cent served as a Kalanjiam leader.

### ***Perception of Panchayat Presidents***

A panchayat president from every sample location was personally interviewed to know their perception about the Kalanjams and the impact of the Kalanjiam programme at the village/ slum level. All the presidents interviewed stated that the dependency of the villagers on the local moneylenders came down after the intervention of Kalanjiam programme. Since major portion of the credit requirements are met by the Kalanjams, the local moneylenders changed their strategy to cope with the new situation. In many places they were reduced the interest rates on loan from high levels of 120 per cent per annum to 60 - 36 per cent per annum. As Mr.K.Krishnan, President of Boothamangalam panchayat, Madurai district Tamilnadu said many of the local moneylenders started shifting to other clients such as petty traders, shopkeepers etc. since their market became dominant by the Kalanjams. Hence the number of local moneylenders visiting the villages for making transaction reduced considerably. Mr.Sundarrajan, president, Ambalathadi panchayat, Madurai district, Tamilnadu pointed out “there will not be even a single person engaged in moneylending, if the Kalanjams continue to exist for another five years”.

The presidents interviewed stated that there was a significant improvement in the economic status of the Kalanjiam members. They reported that the Kalanjiam women utilised the loans borrowed from the Kalanjams properly. Major portion of the loans are used for investment on income generating activities and thereby, there was an improvement in the income level of the families. Since the Kalanjiam women became major income source for the families, their financial dependency on husbands reduced considerably and they were able to make decision on family issues independently. Ms.P.Murugavalli of Retti oorani panchayat, Ramanathapuram district, Tamilnadu mentioned that there was a positive change in the families of the poor with respect to education of their children. In the earlier days they used to shop their children at primary school level. However, after the intervention of Kalanjams, all the poor families sent their upto High school level.

All the persons interviewed expressed that, the women in the village/ slum got exposure to outside world and participated in public works due to the intervention of Kalanjams. All of them reported that the Kalanjiam women used to participants in the Grama sabha meetings regularly and they were authoritative and assertive in those meetings. Mr.Kamal Moideen, Sukkampatti panchayat of Dindigul district, Tamilnadu made a point “Before Kalanjams were formed, no single women participated in panchayat meetings. However, after the intervention of Kalanjams, 75 per cent of the local women participate in the meetings and express their needs”. The women were successful in completing the public works such as getting water connection, cleaning drainage etc. from the government institutions Kalanjiam women in Kadaladi block of Ramanathapuram district approached the district collector to take action against the illegal arrack/ toddy setting activity and as a followup the government officials saw to that the sale was completely stopped in the village.

According to Mr.Ravichandran of Silamalai panchayat, Theni district, Tamilnadu, social obligation consumed most of the people’s loans from the Kalanjams. He also made it clear that as long as such practices exist, it would be very difficult for poor people to attain self sufficiency. Mr.K.Krishnan recommended that the Kalanjams should concentrate on more self employment opportunities to the members. He also pointed out that the Kalanjiam women had to approach

local moneylenders to meet out the working capital requirements that were not available in the Kalanjams. Kalanjiam should concentrate on addressing this issue.

### ***Perception of the Bankers***

Many of the bankers interviewed reported that the Kalanjams were regular in repayment and the efforts from their end to ensure this were meagre. They opined that collective responsibility by the Kalanjiam members to repay the loan as agreed, was the major reason for the prompt repayment to the banks. Moreover, there was a change in the mindset of the poor that the bank loan would be subsidised or written off, and they started valuing that the loans should be repaid. Mr.Pitchaimani of Indian Overseas Bank, Rasingapuram branch, Tamilnadu said “the writing off practice is dying now after the emergence of community loan concept”. He also mentioned that advances to the Kalanjams occupied major share in his branch, and it was the common opinion among all the bankers interviewed. Many of the bankers expressed that the profitability of the branches increased after lending to the Kalanjams. According to Mr.Sreenivasan of Pandian Grama Bank, Sikkal branch, Tamilnadu providing credit to individuals was risky and lending to Kalanjams was a safer option.

Most of the bankers interviewed, viewed that the dependency of the poor families on local moneylenders declined after Kalanjiam intervention, even though they could not express that in quantifiable terms. The bankers felt that the Kalanjiam women were increasingly getting exposure to outside world as they frequently move out of their villages for various works related to Kalanjams. They quoted frequent visit by the Kalanjiam women to the banks as an example for this. Mr.Prabhakaran of Pandian Grama Bank, Palanganatham branch, Tamilnadu said “At least 75 women from 25 Kalanjams, are coming to transact to this branch everyday. It would look like a small demonstration by the women in front of our branch. At any point of time, more than 70 per cent of our customers are SHG members”. The bankers also mentioned that the Kalanjiam women could get the public works done by consulting with government offices and panchayat presidents.

## **V**

### **Conclusion**

Results of this study show that there is a clear empirical evidence of impact of Self Help Groups in the lives of poor. The intervention has made significant change in the behaviour of poor to save and on the other hand the SHGs have been able to mobilise a considerable quantum of credit with repeat support from formal financing institutions. The findings apparently reveal that the SHGs have broken the age old myths of ‘poor cannot save and they are bankable’. Financing through SHGs has resulted in improvement in asset status and increase in family income. At the same time, a reduction or no change in family income after the intervention of SHGs was also noticed, which calls for further investigation. Contextual influence on change in the family income while extending services through SHGs is also conspicuous. Availability of multiple opportunities and better exposure in urban context greatly complement the microfinance services and spur the development processes. There has been a substantial decline in the debt burden of the poor families with usurious moneylenders due to the services of SHGs. However, the debt with informal credit sources increases in consonance with the investment on assets with financial support of SHGs. This finding reiterates the need for ensuring adequacy of credit for asset creation and developing appropriate products and services suiting to the needs and capacity of the SHG members. Empowerment of women is another distinct impact and the findings envisage that organising the women through SHGs and their networks paves an excellent platform to improve

leadership skills and self confidence of women from poor communities. Membership in these people's organisations also builds social capital for marginalised women to raise their voice and demand the mainstream. There is an overwhelming recognition for the SHGs and women from the public and importantly expectation of the community on people's institutions to achieve development. In a nutshell potential of SHGs in organising poor and addressing development issues is quite evident. But it should be understood that it is just an entry point and these women organisations have to go long way in achieving overall development taking up multiple development agenda and should evolve into civic institutions.

### **Note**

Kalanjiam is the brand name for the Women microfinance Self Help Groups promoted by DHAN Foundation.

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